

Ms. Laura Anne Winn, Administrator
Ellen Sagar Nursing Home
Route 7, Box 138
Union, South Carolina 29379

Re: AC# 3-ELS-J4 – Union Hospital District d/b/a Ellen Sagar Nursing Home

Dear Ms. Winn:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1993 through September 30, 1994. That report was used to set the rate covering the contract periods beginning October 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

UNION, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-ELS-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 14, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Union Hospital District d/b/a Ellen Sagar Nursing Home, for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Union Hospital District d/b/a Ellen Sagar Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Union Hospital District d/b/a Ellen Sagar Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 14, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-ELS-J4

	10/01/95- <u>09/30/96</u>
Interim reimbursement rate (1)	\$72.84
Adjusted reimbursement rate	<u>68.28</u>
Decrease in reimbursement rate	\$ <u>4.56</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 17, 1996

**UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME**

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1995 Through September 30, 1996
AC# 3-ELS-J4

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.84	\$32.14	\$40.58	\$32.14
Dietary	<u>.64</u>	<u>7.08</u>	<u>9.21</u>	<u>7.08</u>
Subtotal	<u>\$3.48</u>	39.22	49.79	39.22
Laundry/Housekeeping/Maint.	\$1.08	6.00	7.21	6.00
Administration & Med. Rec.	<u>2.47</u>	<u>5.90</u>	<u>8.37</u>	<u>5.90</u>
Subtotal	<u>\$3.55</u>	51.12	<u>\$65.37</u>	51.12
<u>Costs Not Subject to Standards:</u>				
Utilities		1.77		1.77
Special Services		.42		.42
Medical Supplies & Oxy.		3.23		3.23
Taxes and Insurance		.36		.36
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$56.96</u>		56.96
Inflation Factor (6.30%)				3.59
Cost of Capital				7.70
Cost of Capital Limitation				(1.47)
Profit Incentive (Max. 3.5% of Allowable Cost)				1.99
Cost Incentive - For Gen. Serv. & Dietary				3.48
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(3.97)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$68.28</u>

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1994
 AC# 3-ELS-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,145,535	\$ -	\$ 33,701 (3) 1,949 (3)	\$1,109,885
Dietary	248,592	30,399 (8)	4,766 (3) 29,797 (9)	244,428
Laundry	91,081	-	36,748 (5)	54,333
Housekeeping	104,158	713 (8)	2,018 (3)	102,853
Maintenance	51,603	4,511 (8)	674 (3) 5,288 (9)	50,152
Administration & Medical Records	315,385	21,072 (8)	396 (3) 4,043 (3) 116,719 (4) 11,400 (9)	203,899
Utilities	62,295	5,388 (8)	6,415 (9)	61,268
Special Services	1,936	12,506 (6)	-	14,442
Medical Supplies & Oxygen	111,454	-	-	111,454
Taxes & Insurance	12,708	1,061 (8)	1,265 (9)	12,504
Legal Fees	2,187	159 (8)	164 (9)	2,182

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1994
 AC# 3-ELS-J4

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	212,685	2,082 (1) 7,886 (1) 2,015 (8) 59,697 (10)	9,036 (1) 94 (2) 3,894 (2) 2,265 (2) 1,491 (7) 1,758 (9)	265,827
Subtotal	2,359,619	147,489	273,881	2,233,227
Ancillary	12,187	-	-	12,187
Non-Allowable	55,720	50,151 (3) 116,719 (4) 36,748 (5) 1,491 (7) 56,087 (9)	2,604 (3) 12,506 (6) 65,318 (8) 59,697 (10)	176,791
Total Operating Expenses	<u>\$2,427,526</u>	<u>\$408,685</u>	<u>\$414,006</u>	<u>\$2,422,205</u>
TOTAL PATIENT DAYS	<u>34,583</u>	<u>-</u>	<u>50 (11)</u>	<u>34,533</u>
TOTAL BEDS	<u>95</u>			

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-ELS-J4

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Building and Improvements	\$ 16,726	
	Movable Equipment	36,641	
	Depreciation - Land Improvements	2,082	
	Depreciation - Movable Equipment	7,886	
	Other Equity		\$ 47,611
	Accumulated Depreciation -		
	Building and Improvements		691
	Accumulated Depreciation -		
	Movable Equipment		5,997
	Depreciation - Building and		
	Improvements		9,036
	To adjust fixed assets, accumulated		
	depreciation, and related depreciation		
	expense to allowable		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Accumulated Depreciation -		
	Land Improvements	554	
	Accumulated Depreciation -		
	Building and Improvements	68,165	
	Accumulated Depreciation -		
	Movable Equipment	32,337	
	Other Equity	98,216	
	Land		923
	Land Improvements		1,012
	Building and Improvements		141,369
	Movable Equipment		49,715
	Depreciation - Land Improvements		94
	Depreciation - Building and		
	Improvements		3,894
	Depreciation - Movable Equipment		2,265
	To remove fixed assets applicable to		
	the retirement center		
	HIM-15-1, Section 2102.3		
3	Nonallowable	50,151	
	Nursing		33,701
	Nonallowable - Residential Care		2,604
	Restorative		1,949
	Dietary		4,766
	Medical Records		396
	Housekeeping		2,018
	Maintenance		674
	Administration		4,043
	To adjust fringe benefits to allowable		
	HIM-15-1, Sections 2102.3 and 2304		

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
 Adjustment Report
 Cost Report Period Ended September 30, 1994
 AC# 3-ELS-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable Administration	116,719	116,719
	To adjust management fees to allowable HIM-15-1, Section 2150		
5	Nonallowable Laundry	36,748	36,748
	To adjust laundry cost to actual per the Wallace Thompson Hospital medicare cost report HIM-15-1, Section 2150		
6	Special Services Nonallowable	12,506	12,506
	To add co-insurance for medicare part B ancillary services State Plan, Attachment 4.19D		
7	Nonallowable Cost of Capital - Depreciation	1,491	1,491
	To adjust depreciation based on the deemed asset value State Plan, Attachment 4.19D		
8	Cost of Capital Taxes and Insurance Administration Legal Maintenance Utilities Housekeeping Dietary Nonallowable	2,015 1,061 21,072 159 4,511 5,388 713 30,399	65,318
	To reverse DH&HS stepdown HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-ELS-J4

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable	56,087	
	Cost of Capital		1,758
	Taxes and Insurance		1,265
	Administration		11,400
	Legal		164
	Maintenance		5,288
	Utilities		6,415
	Dietary		29,797
	To remove indirect costs applicable to Residential Care HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Cost of Capital	59,697	
	Nonallowable		59,697
	To adjust cost of capital expense in accordance with the cost of capital policy effective July 1, 1989 State Plan, Attachment 4.19D		
11	<u>Memo Adjustment</u>		
	To decrease total patient days by 50 days from 34,583 days to 35,533 days HIM-15-1, Section 2300		
	TOTAL ADJUSTMENTS	<u>\$661,324</u>	<u>\$661,324</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 AC# 3-ELS-J4

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>1.9778</u>	<u>1.9778</u>	
Deemed Asset Value (Per Bed)	30,889	30,889	
Number of Beds	<u>51</u>	<u>44</u>	
Deemed Asset Value	1,575,339	1,359,116	
Improvements Since 1981	564,648	30,161	
Accumulated Depreciation at 9/30/94	<u>(663,131)</u>	<u>(131,894)</u>	
Deemed Depreciated Value	1,476,856	1,257,383	
Market Rate of Return	<u>0.072</u>	<u>0.072</u>	
Total Annual Return	106,334	90,532	
Return Applicable to Non-Reimbursable Cost Centers	(1,296)	(884)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>925</u>	
Allowable Annual Return	105,038	90,573	
Depreciation Expense	41,033	34,129	
Amortization Expense	108	329	
Capital Related Income Offsets	(1,945)	(1,680)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(500)</u>	<u>(1,258)</u>	<u>Total</u>
Allowable Cost of Capital Expense	143,734	122,093	\$265,827
Total Patient Days (Actual)	<u>18,539</u>	<u>15,994</u>	<u>34,533</u>
Cost of Capital Per Diem	\$ <u>7.75</u>	\$ <u>7.63</u>	\$ <u>7.70</u>

UNION HOSPITAL DISTRICT
d/b/a ELLEN SAGAR NURSING HOME
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1994
AC# 3-ELS-J4

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$1.02	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>5.01</u>	\$ <u>7.63</u>
Weighted Average Reimbursable Cost of Capital Per Diem		*\$ 6.23
Weighted Average Cost of Capital Per Diem		<u>7.70</u>
Cost of Capital Per Diem Limitation		\$ <u>(1.47)</u>

* $(18,539 \times \$5.01 + \$122,093) \div 34,533 = \$6.23$